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1 UNITED STATES DISTRICT COURT
2 SOUTHERN DISTRICT OF NEW YORK

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3 KNOLL, INC.,

4 Plaintiff,

5 v.

11 CV 488 (AKH)

6 MODERNO, INC., d/b/a Regency
7 Shop, et al.,

8 Defendants.

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9 New York, N.Y.

10 March 12, 2012

11:15 a.m.

11 Before:

12 HON. ALVIN K. HELLERSTEIN,

13 District Judge

14 APPEARANCES

15 GOTTlieb, RACKMAN & REISMAN, P.C.

Attorneys for Plaintiff

16 BY: GEORGE GOTTlieb

MARC P. MISTHAL

17 SALEM M. KATSH

18 ROBERT TILEWICK

Attorneys for Defendants

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1 (Case called)

2 MR. GOTTLIEB: George Gottlieb, counsel for plaintiff.

3 And on my right is Marc Misthal, also counsel for plaintiff.

4 MR. KATSH: Salem Katsh, counsel for Moderno. On my
5 right is Bob Tilewick, also counsel for Moderno.

6 THE COURT: Thank you, gentlemen. Be seated.

7 I have two motions before me, both by defendant. One
8 is a motion for judgment on the pleadings by defendant, mostly
9 to the effect of two of the affirmative defenses set out by the
10 defendant. The second is a motion for injunction prompted by a
11 notice by the plaintiff to the Web host of defendant's presence
12 on the Web, which claimed infringement on the issues proposed
13 by the pleadings and sought injunctive relief with regard to
14 that.

15 Do I have the motions correct, Mr. Katsh?

16 MR. KATSH: Yes, basically.

17 THE COURT: Anything you need to amend on that to make
18 them correct?

19 MR. KATSH: No, sir.

20 THE COURT: Then I'll hear you. Let's start with the
21 motion for judgment on the pleadings, because I think that may
22 drive other motions as well.

23 MR. KATSH: Should I address the Court from this
24 podium, sir?

25 THE COURT: That would be fine.

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1 MR. KATSH: And I also have a few charts that I'd like
2 to use to help.

3 THE COURT: Sure. Go ahead.

4 Have you seen them before, Mr. Gottlieb?

5 MR. KATSH: No, your Honor.

6 THE COURT: You can't use them, Mr. Katsh.

7 MR. KATSH: I can't use charts?

8 THE COURT: One would think that you would have
9 cleared it with your adversary beforehand. Were you going to
10 surprise him with them? Let him look at them now; I'll wait.
11 Don't do that again, Mr. Katsh.

12 MR. KATSH: No. I'm sorry.

13 THE COURT: If you're going to use a demonstrative in
14 court, your adversary deserves to see it in advance.

15 MR. KATSH: You're right.

16 MR. GOTTLIEB: Your Honor --

17 THE COURT: Do you object?

18 MR. KATSH: Yes, your Honor. We object to them.

19 THE COURT: Sustained.

20 MR. KATSH: Except --

21 THE COURT: Sustained.

22 MR. KATSH: -- there are copies.

23 THE COURT: Objection sustained.

24 MR. KATSH: Your Honor, let me preface my remarks by
25 saying that we obviously have been, and will continue to be,

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1 working very hard to put forward our position that the designs
2 of this furniture are functional.

3 THE COURT: Let me help you, Mr. Katsh. You made a
4 motion for judgment on the pleadings.

5 MR. KATSH: Correct.

6 THE COURT: My inquiry does not go beyond the
7 pleadings.

8 MR. KATSH: Correct.

9 THE COURT: So we have your pleadings. We have the
10 amended complaint. We have the amended answer. You have
11 pictures attached to both. Let's confine our remarks to that.
12 Don't complain that you're handicapped.

13 MR. KATSH: No, I wasn't going to. I was going to say
14 that I have not heard from the plaintiff why they think a
15 chair, a stool, a bench, and a couch are trademarks, and it's
16 not in any of their briefs. It's not in their complaint, and
17 I'm looking forward to hearing that today.

18 THE COURT: You mean they should not have been able to
19 get trademarks for the appearance of a design?

20 MR. KATSH: That's correct. You can't get a trademark
21 for a utilitarian product of commerce.

22 THE COURT: Is not the trademark incontestable?

23 MR. KATSH: Incontestability, under 15 U.S.C.
24 1114(b)(9), functionality is specifically a grounds on which to
25 contest a registered mark that has become quote/unquote

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1 incontestable for other purposes.

2 THE COURT: That's your affirmative defense about
3 functionality. It's not that they can't get the trademark.
4 The question is functionality.

5 MR. KATSH: What I'm saying is however and whether
6 they got a trademark registration on these products, these
7 products cannot be trademarked.

8 THE COURT: Because you're saying they're functional?

9 MR. KATSH: That's correct.

10 THE COURT: No chair in the world can be trademarked?

11 MR. KATSH: No chair that is an actively sold item of
12 commerce can be trademarked.

13 THE COURT: No matter what its appearance?

14 MR. KATSH: Let me put it this way. A trademark is an
15 intangible message. I have two pens here. One says Sharpie,
16 and one says Papermate. Now, the producer pays to have those
17 trademarks put on these products so that if I want a Sharpie, I
18 can go to the store and look to see the trademark. If the
19 trademark's not on this product, it's in the public domain.
20 Anybody can copy it.

21 THE COURT: I would have thought that anyone that
22 produces something that the public associates with the source
23 of the particular item can be a trademark.

24 MR. KATSH: No.

25 THE COURT: If I see a chair and there's a trademark

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1 on its appearance, because of its unusual appearance, I can
2 have it trademarked. That's what I thought. Maybe I'm wrong.

3 MR. KATSH: I would, with respect, say if that may
4 once have been some view, it was not found by the Supreme Court
5 in its Traffix decision in 2001, where it says --

6 THE COURT: What page?

7 MR. KATSH: If I can just read this to your Honor.

8 THE COURT: What page?

9 MR. KATSH: What page on Traffix?

10 THE COURT: Yes.

11 MR. KATSH: 34 or 35.

12 THE COURT: Go ahead.

13 MR. KATSH: "The Lanham Act does not protect trade
14 dress in a functional design simply because an investment has
15 been made to encourage the public to associate a particular
16 functional feature with a single manufacturer or seller."

17 THE COURT: That's why I said it begs the question on
18 functionality. You have to prove functionality. You can't
19 prove it.

20 MR. KATSH: But functionality, under Traffix, is
21 proved under the definition given in Traffix; namely, whether
22 the product feature is essential, quote/unquote, is essential
23 to the use or purpose of the product.

24 THE COURT: That was a spring-like device that allowed
25 a traffic light to swing in the wind.

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1 MR. KATSH: That's correct.

2 THE COURT: And the Supreme Court held that the
3 flexible item, that spring, was essential to that feature, and,
4 therefore, there couldn't be a trademark, it couldn't protect
5 that design. It's not our case, unless you show it.

6 Let's go to the case itself.

7 MR. KATSH: How can chair legs not be essential to the
8 chair? They are claiming the entire product as a trademark.
9 They're not claiming a word mark. They're not claiming trade
10 dress. They're not claiming even a feature of the product,
11 which was the case in Traffix. Every single court that has
12 discussed the question of functionality has discussed it in
13 terms of whether some feature of an overall product might serve
14 as a source signifier. They are claiming the entire product,
15 and that is the problem here because, think of it, the standard
16 is whether the article is essential to its purpose, is
17 essential to the use or purpose of the alleged trademark
18 design. If the trademark design is the whole thing, then they
19 force us to ask the question: Is the design essential to
20 itself? Is the Barcelona chair, for which we're claiming that
21 it's a complete, all of it is not trademarked, is it essential
22 to the use or purpose of itself. And of course it is, and
23 that's where they've gone overbroad in not claiming features of
24 products, and there could be, and we concede, you can have, as
25 the Traffix court also said, What is nonfunctional?

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1 Nonfunctional is the opposite. It's arbitrary, some arbitrary
2 feature, some whimsical feature, some ornamental feature,
3 that's sort of like the word mark.

4 THE COURT: So if the whimsical or the aesthetic can
5 be claimed, as to features, why can't a combination
6 constituting the whole be claimed?

7 MR. KATSH: Because you first have to ask whether the
8 product is or isn't functional. If it meets the test of
9 essential to the use or purpose of the product. If you
10 conclude that it is essential to the use or purpose of the
11 product, it goes into the public domain, and nothing can take
12 it back into the realm of trademark. Not if it has secondary
13 meeting. The Traffix court explicitly said secondary meeting
14 we don't look at if it's functional. We don't look at
15 association if it's functional.

16 THE COURT: What happens if you have some object which
17 can perform a function but where every constituent part is
18 whimsical or aesthetic, not controlled by function but
19 something else, you can't get trademark for the product?

20 MR. KATSH: I'm sorry?

21 THE COURT: That's not possible?

22 MR. KATSH: Can your Honor give that to me again? I'm
23 sorry.

24 THE COURT: Suppose you have a product that would be
25 essential to each of which is aesthetic in its design, although

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1 the chair can perform or the product can perform a function,
2 here to enable a person to sit down and rest, nevertheless,
3 every constituent part is a product of whimsy or aesthetics.

4 MR. KATSH: I understand.

5 THE COURT: If you can trademark every feature, why
6 can't you trademark the combination of those?

7 MR. KATSH: I don't know if they could have
8 trademarked the pillow or the top of the table, but the Traffix
9 court again said that the availability of alternative design,
10 the fact that somebody has spent a year picking a set of
11 features and put them together is irrelevant once you've
12 decided that it's functional. What I'm saying is an entire
13 table --

14 THE COURT: Let's look at the chair, which is the
15 basic one. It's trademark registration No. 2893025. It's been
16 used in commerce since January 1, 1954. The trademark itself
17 was issued October 22, 2003. It's been in existence therefore
18 as a trademark. It was registered October 12, 2004. So it's
19 been in existence for what, seven and a half years,
20 approximately?

21 MR. KATSH: Actually, 90 years, it was first made for
22 the king and queen of Spain at the 1929 exhibition in
23 Barcelona. That's why it's called the Barcelona chair.

24 THE COURT: By Mies van der Rohe.

25 MR. KATSH: Yes, sir.

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1 Then over time it became more and more popular and
2 lots and lots of different companies starting making them and
3 selling them. Knoll did get a registration in 2004, and the
4 question is whether it's functional. It's functional if the
5 registration dies. If you look at the picture, if you look at
6 the registration --

7 THE COURT: I'm looking at the chair in the picture.

8 MR. KATSH: Okay.

9 THE COURT: It's an oversized chair, the seat of which
10 is tilted somewhat to the back with a tilted sort of convex
11 back, made up of tufted leather, the spine and legs of which
12 show a gentle arc starting from the top and going to the bottom
13 and a counter-arc the other way, each part of which is, to me,
14 primarily aesthetic although the overall chair performs the
15 function of allowing the person to sit and rest. The manner of
16 the chair and the design of the chair and the look of the chair
17 and the feel of the chair is subjective, aesthetic, unlike any
18 other.

19 That's how I would describe it. Would you like to
20 describe it a different way?

21 MR. KATSH: Absolutely.

22 THE COURT: Go ahead.

23 MR. KATSH: It is unlike other chairs. Every single
24 chair could be described as your Honor has described this
25 chair. Every single chair has its own particular shapes,

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1 slopes, and whatever. Every single item. Those lamps are very
2 distinctive, right up there. Just because something has an
3 aesthetic quality to it doesn't mean that it's not a
4 utilitarian article of commerce. The chair in its essence is
5 for people to sit on. The table, if you look at the table, the
6 table has nothing except a top and four legs, and they're
7 claiming that can be a trademark.

8 Justice Holmes, in 1901, in the famous flag
9 manufacturing case, he was dealing with a zephyr, it was an
10 old, kind of guitar-type instrument, and it was out of patent.
11 The defendant copied it down to every single nook and cranny,
12 and Holmes said, That's fine, you're allowed to do that.
13 Copying is good.

14 As Justice O'Connor said in Bonito Boats, copying is
15 the lifeblood of a competitive economy, and in the public
16 domain, we channel all of the products that are made by people
17 in commerce. If they can get a patent, that's fine, but if
18 they can't or the patent expires, it belongs to the people to
19 copy. And maybe they could have gotten trademark on what you
20 called the tuft in the cushion or the slope of the back; they
21 didn't. They went for a trademark on the entire piece of
22 furniture. This is furniture. I mean, sure, it's got to be
23 aesthetic for people to want to look at it. But the first
24 thing they are going to want to know is can they sit on it and
25 can they eat on it, so it has to be functional.

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1 If you look at Traffix, Traffix was insistent that the
2 determination of functionality be made first. There was a
3 so-called competitive necessity doctrine before Traffix. It
4 was in dispute in the lower courts, and many courts were
5 saying, Well, if you show me a product design and the defendant
6 could come up with alternatives so he could compete with the
7 trademarked product, then the trademarked product is
8 nonfunctional because the defendant can't prove that he has to
9 have it; he doesn't have a need to copy.

10 The Traffix court threw that out and said there is no
11 competitive necessity defense. When you read their opposition
12 brief, you'll find that the primary argument they're making is
13 that people are still free to sell furniture and that they
14 haven't prevented people from selling furniture, and that's the
15 competitive necessity test, and that's no longer good law. And
16 it's interesting, the person making the oral argument in
17 Supreme Court for Traffix was none other than Justice Roberts.
18 I don't have that to hand out. I certainly haven't cleared it
19 in advance with counsel, but if your clerk is interested in the
20 very interesting debate on this whole subject --

21 THE COURT: It's I who needs to be interested.

22 MR. KATSH: And your Honor, yes.

23 It's a fascinating discussion, at the precipice, where
24 the trademark law was clarified by this decision in Traffix,
25 and I don't think they have gotten around it. They haven't

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1 even claimed anything nonfunctional about the chair, the table,
2 the couch. What is it that could be a trademark? And
3 remember, a trademark is a message. It's an intangible. You
4 don't buy a trademark good in commerce. You don't go to the
5 store and say I'd like to buy the trademark Wonder Bread. The
6 producer pays to put the trademark on his product so as to send
7 a signal, an intangible signal to consumers, so when I go down
8 the row of breads and there are all these different brands and
9 they're all screaming, Buy me, buy me, I can pick out Wonder
10 Bread because it has a trademark. It's an intangible message.

11 Now, it's possible that a product design could be so
12 static and so nonutilitarian that it could somehow be
13 communicating a message --

14 THE COURT: I'd like to draw a distinction of law
15 rather than rhetoric. The United States Supreme Court in
16 *Traffix* defined functionality this way: "A product feature is
17 functional and cannot serve as a trademark if it is essential
18 to the use or purpose of the article or if it affects the cost
19 or quality of the article."

20 Now, in looking at the Barcelona chair, do this with
21 each one of the items making up the Barcelona collection,
22 although there is a seat, this can't be described as a seat
23 that is essential to be used for the purpose of the article,
24 and the same goes for the legs and the same goes for the back.
25 And the same goes for the nature of the material and its tufted

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1 quality.

2 Who has the burden, incidentally?

3 MR. KATSH: You're suggesting --

4 THE COURT: Who has the burden to prove functionality?
5 It's you, isn't it?

6 MR. KATSH: Yes, sir.

7 THE COURT: So it's your burden.

8 MR. KATSH: It is. And what I'd like to point out is
9 that what you read there, if you look at it, is talking about a
10 feature of a product.

11 THE COURT: Traffix deals with a feature, which is the
12 dual spring design.

13 MR. KATSH: All the cases deal with features.

14 THE COURT: You've made your point. Let me hear what
15 Mr. Gottlieb has to say. Then we'll go into each product.

16 MR. GOTTLIEB: Your Honor.

17 THE COURT: Why don't you take the podium.

18 MR. GOTTLIEB: I'm sorry?

19 THE COURT: Why don't you take the podium.

20 MR. GOTTLIEB: I'm sorry, your Honor. Thank you.

21 Your Honor, counsel for the defendant, at page three
22 of its main brief, makes the following statement: "These
23 decisions establish that the configuration of a utilitarian
24 product such as an item of furniture is functional, is in the
25 public domain, and may not be trademarked and thereby

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1 monopolized for an indefinite period of time." And there he
2 refers to the Traffix case and the Wal-Mart case.

3 Your Honor, that statement by opposing counsel is
4 completely contrary to law. The Traffix case, as you have
5 noted, is a case where the Supreme Court dealt with the
6 question of functionality in the context of a patent, and the
7 Supreme Court said --

8 THE COURT: A patent that had expired.

9 MR. GOTTLIEB: Correct.

10 The Supreme Court said that a patent, expired or even
11 in force, is a very strong indication of functionality. So No.
12 1, we're dealing there with an unregistered trademark, your
13 Honor, which is a tremendous difference.

14 THE COURT: The point I'm interested in is the
15 argument that there is no case that assigns a trademark quality
16 to an entire product.

17 MR. GOTTLIEB: Right. And no case that I have ever
18 read, your Honor, makes such a statement. In fact, your
19 Honor --

20 THE COURT: That's not what he said. He said there's
21 no case that deals with such.

22 MR. GOTTLIEB: There is a case, your Honor, and I
23 cited that in our brief. The case of Moen v. Kohler, a Seventh
24 Circuit case, is a very interesting case, your Honor, because
25 it's very parallel to this case before your Honor. In fact, if

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1 that were a decision by the Second Circuit, it would be a
2 hundred percent binding. So what happened in that case, your
3 Honor, is that Moen is a manufacturer of faucets and it
4 obtained registrations for its faucets from the patent office.

5 Your Honor, may I hand up to you and opposing counsel
6 copies of the registrations that were the subject of that case.

7 THE COURT: I have a motion for judgment on the
8 pleadings.

9 MR. GOTTLIEB: I think it was motions for summary
10 judgment, your Honor.

11 THE COURT: Before me are a motion for judgment on the
12 pleadings and a motion for injunction.

13 MR. GOTTLIEB: Right. I'm just saying, your Honor,
14 that case states --

15 THE COURT: I'm exercising my discretion not to
16 enlarge the record.

17 MR. GOTTLIEB: Your Honor, what I'm saying is that I
18 know the case law, I believe, very well, and no case has ever
19 held that once the patent office issues a trademark
20 registration, which itself is a very long and detailed
21 process --

22 THE COURT: Mr. Gottlieb, that's not his argument.
23 What were the facts in Moen?

24 MR. GOTTLIEB: The plumbing manufacturer got two
25 registrations from the patent office and we have those, if your

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1 Honor would like to see them.

2 THE COURT: Mr. Gottlieb, please proceed.

3 MR. GOTTLIEB: The opposing party, Kohler, also a
4 plumbing manufacturer, opposed those registrations in the
5 trademark trial and appeal board on the theory that it was
6 improper for the trademark office to issue product
7 configuration registrations. The trademark trial and appeal
8 board sided with Moen and upheld the registrations. The case
9 that went into the District Court. The District Court again
10 upheld the validity of the registrations on the basis that the
11 trademark act, the Lanham Act, permits registrations of product
12 configurations. And they went up to the Seventh Circuit, and
13 the Seventh Circuit, in upholding the theory, or those
14 registrations held there's no inconsistency between the patent
15 laws and the practice of the trademark office issuing product
16 registrations. They said that patents have a certain purpose,
17 certain considerations for the public, and basically patents
18 are limited time monopolies. On the other hand, trademarks are
19 focused on preventing confusion, and the Seventh Circuit held
20 that there's nothing inconsistent between --

21 THE COURT: What happened there, Moen came out with a
22 certain type of spigot?

23 MR. GOTTLIEB: Right, exactly.

24 THE COURT: And Kohler copied the spigot?

25 MR. GOTTLIEB: Right.

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1 THE COURT: And did Moen have a trademark
2 registration?

3 MR. GOTTLIEB: Exactly.

4 THE COURT:: For the look of the spigot?

5 MR. GOTTLIEB: Yes, the did, your Honor.

6 THE COURT:: And the Seventh Circuit upheld the
7 trademark registration?

8 MR. GOTTLIEB: Right, basically saying there's no
9 inconsistency.

10 THE COURT: How did that come up, on a summary
11 judgment?

12 MR. GOTTLIEB: I believe it came up on summary
13 judgment, your Honor, yes.

14 THE COURT: The Seventh Circuit said you can look at
15 the nature of the spigot, make a determination whether it's
16 functional or not, and if it's not, uphold the registration as
17 to the entire product?

18 MR. GOTTLIEB: They didn't exactly say it that way,
19 your Honor, because remember --

20 THE COURT: I don't have it.

21 MR. GOTTLIEB: -- Moen had to prove nonfunctionality
22 in getting its registration. Then, now, the burden shifts to
23 the opposing party, so they're basically saying that they met
24 their burden of showing nonfunctionality in the first instance.

25 THE COURT: This was a motion to cancel the trademark

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1 registration?

2 MR. GOTTLIEB: Right. Exactly, because you have the
3 right, your Honor, after the patent office issues --

4 THE COURT: I take your point.

5 Let me ask Mr. Katsh. What is your gloss on that
6 case?

7 MR. KATSH: I think that was a case where it was an
8 appeal from a decision by the trademark board, and there were,
9 I think, different burdens because of that. But, to your
10 point, the spigot was part of a larger assembly. And I don't
11 think that case said or dealt with the issues right before your
12 Honor whether you can get a trademark on an entire integrated
13 product.

14 Having said that, I did not say to you, I don't
15 believe, that there's no case in which it was held that you
16 couldn't get a trademark on an entire product.

17 THE COURT: I'm glad you told me that because I
18 thought you had said something different.

19 MR. KATSH: No, I didn't say that. I'm saying that
20 under Traffix, that would be impermissible.

21 THE COURT: I don't read Traffix the way you do. I'm
22 sorry.

23 Please continue, Mr. Gottlieb.

24 MR. GOTTLIEB: Again, your Honor, I'd like to go back
25 to the most basic issue, which is this is a motion on the

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1 pleadings, not a motion for summary judgment. It's not a
2 motion on the issue of functionality.

3 THE COURT: I was going to ask you, if I decide that
4 you can get a trademark because this is a trademark on
5 aesthetics and appearance rather than function, can I strike
6 the defense at this point in time? Or do I need to wait?

7 MR. GOTTLIEB: You absolutely can strike it, your
8 Honor.

9 If I can go a little bit afield --

10 THE COURT: Maybe you don't want to make the next
11 point you were going to make.

12 MR. GOTTLIEB: May I, just for the record, your Honor,
13 hand you the registrations in this case we've been talking
14 about.

15 THE COURT: Which one?

16 MR. GOTTLIEB: The Moen v. Kohler case.

17 THE COURT: No.

18 MR. GOTTLIEB: So my first point again, your Honor, is
19 this is a motion on the pleadings.

20 THE COURT: I think I've got your point and I've got
21 Mr. Katsh's point with regard to the chair.

22 Exhibit B to the amended complaint deals with a stool,
23 and I think it's really covered by the same point, unless Mr.
24 Katsh has some additional argument with regard to the stool.

25 Do you agree, Mr. Katsh?

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1 MR. KATSH: No additional argument, no.

2 MR. GOTTLIEB: I just have one other point, if I
3 might, your Honor, on the motion.

4 THE COURT: Yes.

5 MR. GOTTLIEB: Which is on the disclaimer issue, as
6 part of the motion on the pleadings --

7 THE COURT: I would like to hear Mr. Katsh first on
8 that. Hold that. I'm just looking now at functionality,
9 Mr. Gottlieb.

10 MR. GOTTLIEB: I have nothing else, your Honor, on
11 that point.

12 THE COURT: So the stool is covered by the same
13 criteria.

14 Exhibit C is a bench. According to the picture in the
15 amended complaint, this is a bench with the same kind of tufted
16 presumably leather composition material that provides the flat
17 surface of the bench. There's a roll at the end which serves
18 the function of a pillow, though it would be a different pillow
19 from anything else. I can't really see, and, Mr. Gottlieb,
20 maybe you can describe the legs. There seem to be four metal
21 legs, short legs, but not at the corners.

22 Can you describe that?

23 MR. GOTTLIEB: Just give me one minute, your Honor.

24 THE COURT: If you have an actual picture, that might
25 be useful.

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1 MR. GOTTLIEB: Right. This has four vertical legs,
2 your Honor, a flat tufted --

3 THE COURT: I described the rest. I'm just interested
4 in the legs. They're not at the corners.

5 MR. GOTTLIEB: No. They're a little bit in from the
6 corners.

7 THE COURT: They're off from the corners.

8 MR. GOTTLIEB: Right.

9 THE COURT: Are they flush from the side or indented?

10 MR. GOTTLIEB: I believe they're inside a little bit,
11 your Honor, but I'm not a hundred percent sure.

12 THE COURT: Is there any particular argument regarding
13 functionality, Mr. Katsh, with regard to this bench? What
14 would you call it, bench or bed, a couch?

15 MR. GOTTLIEB: Couch.

16 THE COURT: A couch. A backless couch.

17 Anything else you want to say about this, Mr. Katsh?

18 MR. KATSH: Not at this exact moment.

19 THE COURT: And Exhibit D is a table. Now, I don't
20 think you've been making those products, have you, Mr. Katsh?
21 Have your clients been making a table or a couch?

22 MR. KATSH: I believe they have.

23 THE COURT: They have, so I need to go into that.

24 The table appears to be a glass square, though I'm not
25 sure, raised from the floor by four crossed legs, each

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1 describing a diagonal intersecting at the center. But the legs
2 do not reach the ends. They are short of the ends a certain
3 distance, probably equal for each leg, supporting the table
4 that way. All of these were registered October 2004.

5 Those are the four items that constitute the Barcelona
6 collection, and these are the four items in suit.

7 There's another item, Exhibit E.

8 MR. KATSH: We don't think that --

9 THE COURT: So Exhibit E is not an issue and I need
10 not go into it.

11 All right. Let me make a ruling on functionality.

12 MR. KATSH: Your Honor.

13 THE COURT: Yes.

14 MR. KATSH: May it please the Court if I could have
15 two more minutes on it.

16 THE COURT: Yes, you may.

17 MR. KATSH: Your Honor's described these products as
18 embodying aesthetic features as well as functional features,
19 and I was sitting here and I was thinking how to best put
20 forward why I think that the product has to be viewed first and
21 foremost as functional, and I was thinking that if we just
22 bought a house and we looked at a lot of houses and we
23 certainly wanted a house that was aesthetically beautiful, but
24 the first and foremost thing it had to have was plumbing and
25 all the other things that make a house work. And that's what

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1 we have here. The Barcelona chair could be very beautiful, but
2 it first and foremost has to let a person sit on it.

3 As I read Traffix, not only as I read Traffix, that is
4 the essential aspect of the chair. So if they want to
5 trademark an entire product, that entire product is essential
6 to itself and would be functional under Traffix.

7 One final point, I think you can rule in our favor on
8 this motion. I would respectfully say that you should not rule
9 against us because this is a motion on the pleadings where
10 entirely limited to the face of these trademarks on discovery
11 and trial or summary judgment, it would be a lot more facts.

12 THE COURT: What facts would be relevant?

13 MR. KATSH: First of all, in light of today's hearing,
14 I certainly would go into the question of aesthetic versus
15 actually utilitarian.

16 THE COURT:: Why would that be a subject for anyone
17 else? What could you bring in on that subject, an expert that
18 explains the ruling on the law?

19 MR. KATSH: It's mixed. I think an expert could be
20 brought in to look at the range of products.

21 Are we saying that they can trademark a house?

22 THE COURT:: I don't have a house before me. I don't
23 need to decide that.

24 MR. KATSH: But the principle is the same. I just
25 think that they did not cross-move. We would approach the

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1 issue in an obviously more elaborate way on summary judgment
2 than we have on a motion for the pleadings where we've attacked
3 the pictures.

4 THE COURT: I'll save you a little bit of effort, Mr.
5 Katsh. I have not thought hard enough or long enough about
6 this issue to feel I am confident in deciding on the merits
7 whether this product serves or doesn't deserve the trademark.
8 I've thought enough to know that I will not grant your motion.
9 I've thought enough to feel that it's likely that there can be
10 a registration of an entire product by its aesthetic look.

11 What bothers me is not the facts that you would bring
12 up or an expert, which I'm not sure is relevant to this issue,
13 but the extent of my rulings. Suppose someone would copy the
14 chair as your client seems to have done with selling the
15 replica. Would that act be a violation that would make it a
16 patent rather than a trademark?

17 MR. KATSH: That is our point.

18 THE COURT: I understand, but it's not really your
19 point because what your client has done is set up a replica to
20 compete with Knoll and, in fact, tell people you can buy this,
21 because it has all the look of a Mies van der Rohe chair,
22 without being a Mies van der Rohe price. Different. I'm just
23 saying I haven't thought about it enough. I am not going to
24 strike your defense, but I will deny your motion.

25 MR. KATSH: Can I address the disclaimer issue?

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1 THE COURT: I will do that in a minute, as soon as I
2 finish with this.

3 The motion for judgment on the pleadings based on the
4 second and third affirmative defenses is denied. Affirmative
5 defense No. 2 is as follows: "The designs that Knoll seeks to
6 enforce as trademarks are functional and unpatented and the
7 public may not be prevented from clearly copying and using
8 them." That motion is denied.

9 Third, the amended complaint fails to allege or
10 specify any nonfunctional aspects of the allegedly trademarked
11 protective designs and/or insufficiently does so. That's
12 denied because it's evident in the pictures that are attached,
13 among other things.

14 Let's go on to disclaimer.

15 Go ahead, Mr. Katsh.

16 MR. KATSH: Your Honor, a very simple point.

17 My clients have gone the extra mile to make sure, as
18 Mr. Gottlieb pointed out, there could be no likelihood of
19 confusion with respect to what they're selling and with respect
20 to people who want to buy the Knoll chair.

21 THE COURT: Let's suppose I say that a person who buys
22 this chair from you is not fooled. I'm not saying it, but
23 let's suppose I'm saying it. And he brings it into his home.
24 What's the rule then when some visitor comes to the home and
25 says, Oh, you have this beautiful Mies van der Rohe chair, and

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1 the host is silent?

2 MR. KATSH: I would say that anybody who would know
3 what a Mies van der Rohe chair is would immediately look at the
4 frame to check if it had the engraved signature of Mies van der
5 Rohe.

6 THE COURT: That's rather gauche, isn't it?

7 MR. KATSH: Well, anybody --

8 THE COURT: Are you saying someone looking at a Mies
9 van der Rohe chair would say, Let me look at this particular
10 chair under a microscope. Do you have a magnifying glass? I
11 want to see if there is a signature on it by Mies van der Rohe.
12 Oh, there's no signature, you're fooling me. You don't have a
13 Mies van der Rohe chair. You have a cheap copy.

14 MR. KATSH: You don't think that a person who is aware
15 of this furniture knows that there are dozens and dozens of Web
16 sites selling replicas.

17 THE COURT: What happens if I'm the visitor? I don't
18 know about these things.

19 MR. KATSH: Suppose you sit down, you're a visitor
20 coming and sitting down at the breakfast table, and right in
21 front of your nephew, or whatever, is a big bowl of Shredded
22 Wheat and it's moldy and it's awful. Okay, you say, I'm never
23 going to buy NaBisCo again. This argument can be taken to an
24 extreme.

25 THE COURT: I'm looking at the Hermes International v.

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1 Lederer de Paris, 219 F.3d 104, 108 (2d Cir. 2000), which holds
2 that "postsale confusion can occur when a manufacturer of
3 knock-off goods offers consumers a cheap knock-off copy of the
4 original manufacturer's more expensive product, thus allowing
5 the buyer to acquire the prestige of owning what appears to be
6 the more expensive product."

7 That's indeed what you advertise, right.

8 MR. KATSH: What I'm saying is that, first of all,
9 they haven't alleged postsale confusion. I don't know if they
10 can. They're not losing goodwill on account of our product
11 being sold. If it made them happy, we've gone the extra mile,
12 we'll stamp the chair Ibiza. We have no interest in fooling
13 anyone, as our Web site shows. The likelihood that somebody is
14 going to visit somebody's home and just happen to stumble on
15 our chair when there are 2,000 other fake chairs in the city is
16 just not within the scope of, it's just too speculative to take
17 away from us the credit we deserve for that disclaimer. I
18 mean, we are making sure, unlike so many other Web sites that
19 actually infringe the trade word Barcelona, and so many other
20 Web sites, we have gone that step to disclaim, and your Honor
21 has himself, in I think the bagel case, as we call it --

22 THE COURT: Don't cite the bagel case. It's not very
23 useful here.

24 MR. KATSH: All right.

25 THE COURT: And on another issue of disclaimer, the

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1 Second Circuit reversed me.

2 MR. KATSH: I know that, and the Second Circuit has
3 gone back and forth.

4 THE COURT: I'll give you an anecdote about that case.

5 MR. KATSH: Okay.

6 THE COURT: I got the two people in on a conference
7 and I observed that there wasn't enough money in their business
8 or in the case to warrant a big deal trademark infringement, so
9 you should settle. They heartily agreed and then I discussed
10 settlement and neither side was interested, and I suggested the
11 idea of disclaimer on both and they pointed out all the
12 deficiencies about disclaimers, and I agreed with them. So I
13 said, What do you want to do. They said, We'd like to settle.
14 I said, The only way you're going to settle is by disclaimer,
15 and so I offered disclaimer. One of them took it up, they won,
16 which was easily anticipated.

17 I said: Okay. You're back, folks. Congratulations
18 on winning. What would you like to do with the case? We'd
19 like to settle, your Honor. I said, Get out of here. I never
20 heard from the case again.

21 MR. KATSH: I've been doing this for 39 years. I
22 would stake my reputation that no one reading that disclaimer
23 that we have could possibly think we are associated with Knoll
24 in any way, shape, or form. And we stand out in that regard
25 from dozens and dozens of other Web sites which are exhibits to

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1 our amended answer, which, frankly, I don't think is right that
2 they're marketing in this way. But we are being responsible,
3 and if there's anything else they want us to do, we'll do it.

4 THE COURT: There are two forms of disclaimer that
5 have been attached to the answer. One is a very difficult one
6 to see, but the defendant has said that that was the wrong
7 disclaimer, it's been changed to one that's more visible. So
8 I'm going to assume that the more visible disclaimer as set out
9 in Exhibit B is the one in use.

10 MR. KATSH: That's correct.

11 THE COURT: The other one is just impossible to read.

12 MR. KATSH: The other one was before, frankly, he got
13 advice of counsel and I sat with him and we created what I felt
14 was a bomb-proof disclaimer.

15 THE COURT: So here it says, "Our Ibiza chair is a
16 replica of a chair designed in 1929 by Mies van der Rohe, often
17 referred to as the Barcelona chair. Knoll, Inc. produces and
18 sells the authentic Barcelona chair, with the engraved
19 signature of Mies van der Rohe and a certificate of
20 authenticity at prices in the thousands of dollars, many times
21 higher than the price of our Ibiza chair. Our replica of he
22 Barcelona chair is intended for consumers who wish to purchase
23 a reproduction of a chair of historic design and at an
24 affordable price," and it goes on to disclaim the affiliation
25 with Knoll, and the like.

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1 What it does here is to say, Look, folks you can buy
2 our chair. It's a replica. It's not a licensed replica, it
3 doesn't say anything about that, but it's a replica, which
4 means that anybody coming into your house will say, Oh, wow,
5 this is just exactly like a Knoll chair. And I say, How much?
6 Hundreds, maybe more, of dollars, that was exactly what was
7 held illegal by the Second Circuit.

8 I deny your motion with regard to the disclaimer.
9 Indeed, I go beyond that because here I'm sure this disclaimer
10 is of no legal effect whatever, and I strike it. So this deals
11 with the following affirmative defenses:

12 No. 4, "defendants have inserted disclaimers into
13 relevant pages of RegencyShop.com that render it impossible for
14 any rational consumer to be misled or confused or likely to be
15 misled or confused into thinking that defendant's product sold
16 under their Ibiza's trademark could come from Knoll or that
17 defendants had any other affiliation or any other business
18 arrangement with Knoll."

19 Striking that defense, I'll save you both lots and
20 lots of money getting tangential surveys.

21 MR. KATSH: Your Honor, would it be possible for your
22 Honor to strike it with respect to postsale issue and not with
23 respect to somebody at the point of sale?

24 THE COURT: No. No. I'm not sure you folks have an
25 address. I know that Mr. Gottlieb had problems serving you. I

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1 had to give him a special order.

2 MR. KATSH: Moderno was right where they have always
3 been on Gardenia Street outside Los Angeles. I wasn't involved
4 then, and I don't know what his problem was. But we certainly
5 have an address.

6 THE COURT: You do have an address. No, I'm not going
7 to do that, though, because it's the same issue.

8 Now, your motion for preliminary injunction.

9 MR. KATSH: My colleague, Mr. Tilewick, will be
10 handling that.

11 MR. TILEWICK: Good morning, your Honor. My name is
12 Bob Tilewick. I'm representing the defendants on this motion.

13 This motion was originally brought on, as you're
14 likely aware, on an order to show cause on notice and the
15 urgency for the need for relief then wasn't as urgent as it is
16 now. What we were trying to do is nothing less than protect
17 the defendants' solvency and the defendants' ability to
18 continue to engage in business while this litigation is
19 pending. The sole request that we're asking for is notice
20 before plaintiff Knoll engages in any further self-help or
21 extra-judicial activity designed to bring down the defendants.

22 We, to date, are aware at least of their attempt to
23 bring down one of the two Web sites that defendants own. In
24 this case it was Augustco.com, according to Mr. Misthal's
25 affidavit, it also had contact with Customs, and these are

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1 various activities which I'm referring to as extra-judicial
2 activities, all of which can undermine the viability and the
3 existence of the defendants before the Court reaches the merits
4 of this case.

5 THE COURT: Why would you suffer an irreparable injury
6 if you didn't have notice? The Web host suffers potential
7 liability if he has notice that you're committing an
8 infringement. He gets the same notice with or without
9 immediate effectiveness of a letter.

10 MR. TILEWICK: Your Honor, as my cocounsel said, it's
11 very difficult to unscramble the egg. What we had to do in
12 order to obtain the kind of quasi-relief respect to the
13 elementscode.com.

14 THE COURT: You just talk off the chairs. You put on
15 the Web that you were selling these Barcelona replicas and a
16 notice came to the host and you immediately took down those
17 pages so that you were no longer offering the Barcelona
18 replicas.

19 MR. TILEWICK: There's no guarantee that that would
20 occur in the future. There's no guarantee if they were more
21 aggressive in the future, in terms of providing notice to the
22 ISPs, to Customs, or some other agency that we'll have the same
23 ability to recover. We were lucky there, although we were
24 deprived, I must add, of our ability to establish in this case
25 that on that Web site they were selling chairs that did not

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1 infringe the trademarks. We had a partial victory, but it
2 wasn't because of your Honor's rulings on the trademarks. We
3 had a partial ruling because they engaged in self-help while
4 they vested jurisdiction with this Court to decide that very
5 issue.

6 THE COURT: Who engaged in self-help?

7 MR. TILEWICK: Knoll, by contacting the ISP.

8 THE COURT: The ISP suffers potential liability if,
9 with notice, it hosts an infringing articles. The ISPs have
10 fought long and hard to have a safe harbor, and that safe
11 harbor ends when they get notice. If Mr. Gottlieb allows
12 infringing articles to be put on the Web page and doesn't put
13 the host on notice, he may lose his rights against the host and
14 he doesn't want to do that.

15 MR. TILEWICK: Your Honor --

16 THE COURT: I don't see the point.

17 First of all, if the host gets notice, the host will
18 take it down, whether there's an immediate effect or not, and
19 whether there's a ten-day delay or not. In the meantime, the
20 holder of the trademark has to suffer continuing infringements
21 which causes him to suffer irreparable injury. So if I'm
22 saving you from irreparable injury, as you want me to do, I
23 immediately impose irreparable injury on the holder of the
24 trademark, and I don't want to do that.

25 MR. TILEWICK: Your Honor.

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1 THE COURT: The second criteria that's important is
2 that there are remedies available at law, such as monetary
3 damages. You've got to show that they're inadequate to
4 compensate for that injury. But I think that goes both ways.
5 You both have it and you both don't have it. So that's a
6 neutral one.

7 I'm reading all of these from the Second Circuit's
8 decision of *Salinger v. Fredrik Colting*, 697 F.3d 68 (2d Cir.
9 2010). The third criteria is considering the balance of
10 hardships between the plaintiff and defendant, a remedy in
11 equity is warranted. I think the hardships are equivalent
12 because the plaintiff suffers the loss of all the goodwill in
13 his trademarks. You suffer the loss of being able to sell, and
14 I think that's a neutral.

15 Fourth, public interest would not be disserved by
16 permanent injunction. I think the public interest would be
17 served. What's not in here is the probability of success, but
18 it has to be part of the background here. I believe that the
19 principal register was properly sought, trademarks were
20 properly granted, and that in any of these things, you can't
21 satisfy your burden of showing irreparable injury that will be
22 outweighed by the irreparable injury suffered by the plaintiff.
23 The fact that you're small and they're large, I don't know how
24 to deal with that. You may be small and profitable in
25 relationship to your business. They may be large and not so

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1 very profitable in relationship to their business. I don't
2 know, and I can't find out. But it does seem to me that if I
3 worry about your irreparable injury, I cause irreparable injury
4 to the plaintiff. And since the plaintiff has the trademark
5 and the public is interested in the trademark and I don't want
6 the public to be deceived and I think they will be deceived by
7 your use of the Web to market your goods, I deny your motion
8 for preliminary injunction.

9 MR. TILEWICK: Can I request a minute for rebuttal, if
10 necessary?

11 THE COURT: Go ahead.

12 MR. TILEWICK: There are just two points I want to
13 make.

14 As far as irreparable injury to the plaintiff, I don't
15 understand what that irreparable injury really is since the
16 issue before the Court presently is the validity of their
17 trademarks. They've brought an action for infringement. The
18 Court has ruled on the motion on the judgment of the pleadings,
19 but obviously the merits on the case have not been reached.
20 All we're asking for is not an injunction preventing them from
21 doing anything but giving us notice.

22 THE COURT: The burden is on you to come into the
23 court. If you feel they have overstepped, you can come into
24 the court.

25 MR. TILEWICK: They did.

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1 THE COURT: Well --

2 MR. TILEWICK: They did overstep. That's precisely
3 what happened. That's why we're asking for notice?

4 THE COURT: In what respect did they overstep.

5 MR. TILEWICK: Because the letter they wrote to one of
6 the two Web sites that the defendants own stated that the
7 entire Web site was infringing. That was false. He was shut
8 down. His entire business was shut down and there were almost
9 no products on that site which they remotely claimed infringed.
10 It was only because we got involved and were lucky enough to
11 contact them and to work with them.

12 THE COURT: If you write any more letters like this or
13 your client does, your client should focus on what is
14 infringing and not the entire Web site.

15 MR. GOTTLIEB: Your Honor, in our letter, we set forth
16 our registrations, we tell them what products are infringing.
17 All these hosts have their own counsel. They have their own
18 guidelines, and it's up to the host and the Moderno to decide
19 leave it up, take it down, and, in fact, right now, your
20 Honor --

21 THE COURT: I'm not granting preliminary injunction.

22 MR. TILEWICK: Thank you, your Honor.

23 MR. KATSH: Your Honor, I have one question in light
24 of the argument and your rulings today. We have certain
25 remaining defenses, abandonment, and some others, but if your

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1 Honor is going to issue an opinion and a ruling saying that
2 these designs are not functional and dismissing --

3 THE COURT: I'm not doing anything more than I did. I
4 just denied your motion. I'm not writing an opinion. I'm not
5 passing on the merits overall. My next point was to ask you
6 when you wanted to come in to see how we're going to run this
7 case from here on in. So your concerns are not kosher, Mr.
8 Katsh. I know that you have other affirmative defenses,
9 including the defense of abandonment. I'd like to hear what
10 you're going to say, what kind of discovery you want, and how
11 you want to run the case. I'm not ruling on those things. I'm
12 not throwing you out of court.

13 MR. KATSH: I completely understand that.

14 THE COURT: What's your concern?

15 MR. KATSH: It's not a concern. It's a question of
16 whether we should go forward in light of your Honor's
17 incarnation on what is to us the very core issue in our case.
18 Our client has limited resources.

19 THE COURT: I am not prejudging the case. I have
20 purposely decided narrowly and not broadly, but I do think it's
21 appropriate to let you know what I'm thinking at the present
22 time. I'm not saying you can't change my mind.

23 MR. KATSH: Okay.

24 THE COURT: People often do.

25 MR. KATSH: Thank you, your Honor.

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1 THE COURT: I think there is a utility in knowing
2 where I stand. I've read the papers. I've spent time on this.
3 I've thought about it. Why shouldn't I tell you how I'm
4 thinking. It's not saying I can't change my mind. I often do.

5 MR. KATSH: I appreciate that very much. Thank you.

6 THE COURT: And the reason I'm not going beyond where
7 I stand on this is because I don't feel I've thought about this
8 enough to make acceptable judgments about the overall case.

9 MR. KATSH: The transcript of oral argument before
10 Traffix, that will convince you.

11 THE COURT: Thank you, Mr. Katsh.

12 We have the next conference set for May 18. I'm
13 willing to keep that date unless you want something earlier.
14 Here's what I want you to do, and then we can go off the
15 record, if you like. I'm going to issue today or tomorrow a
16 summary order that states my rulings, but it won't go beyond
17 that.

18 Mr. Katsh, if you're thinking of appealing my order on
19 the preliminary injunction, I'll need to state more findings on
20 the record, but if you're not --

21 MR. KATSH: No, sir.

22 THE COURT: -- no need to do so.

23 MR. KATSH: No, sir.

24 THE COURT: So I'm not.

25 I'd like you to get together and discuss your

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1 respective plans for the case. You need to exchange your
2 preliminary discovery. Stop looking for interrogatories and
3 other things. We're going to keep the transaction costs low.

4 You, Mr. Gottlieb, give your file on these chairs.
5 And, Mr. Katsh, you give your file on Ibiza and whatever else
6 is relevant to the plaintiff and the complaint and the answer
7 to Mr. Gottlieb and go over those and exchange your plans for
8 how you want to proceed with discovery and then I'll meet with
9 you. I think May 18 may be an appropriate date.

10 MR. KATSH: It could be. We've gotten hung up a bit
11 on getting a protective order entered. The plaintiff, and I
12 respect their decision, didn't want to produce confidential
13 documents until we have a protective order in place. I think
14 we're there now and I think the document production --

15 THE COURT: Let's leave it this way, may 18, 10:00,
16 for a status conference in this case. If you have problems
17 before that, let me know, and I'll have you in and we can
18 resolve the problems. I'm sensitive to what you say, Mr.
19 Katsh. You don't have much money to run this case. I don't
20 want your lack of money to affect the ability to go to the
21 merits if you want to go that way, so I'll work with you, and I
22 want Mr. Gottlieb to be sensitive to that as well. I'll work
23 with both of you to keep the transaction costs low.

24 MR. KATSH: Thank you.

25 THE COURT: That means if you have disputes I'll

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1 resolve the disputes by letter. If you want to come in, I'll
2 decide whether it's necessary or not. But there's no reason
3 for the transaction costs to go up.

4 Anything else? Thank you both.

5 (Proceedings adjourned)